

A Competitive Analysis of Original Content on Chinese Video Streaming Websites

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Abstract

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Aoran Yang

In the first 15 years of the 21st century, the Chinese video industry continued growing and evolving at a rapid pace. With the changes in the video streaming market, producing original content became a hot topic within major video streaming websites. This study provided a competitive analysis of Chinese video streaming websites. The research applied a comparison study to understand the differences of original content on Chinese video streaming websites. A survey about the online audience's using habits, attitudes toward original contents and ads on video streaming websites was conducted. SWOT analyses in this research also provided an overall understanding of the competitiveness of major video streaming websites. Facing diverse internal and external challenges, the original content on major video platforms had to overcome serious weaknesses such as a lack of creativity, an unstable user experience, and a short life cycle. Therefore, increasing audience loyalty is a critical goal. The main recommendations would be to improve the quality of original content and branding which are the most important aspects for the future development of Chinese video streaming websites.

CHAPTER 1: INTRODUCTION

From 2005 to 2014, the increasingly rapid development of technology led to the advancement of a new media industry. The internet, as one of the most representative media technologies of the 21st century, has been widely used in people's lives, and has changed lifestyles at the same time. Based on the technology of the internet, more functions have been achieved through computer and broadband. One of the most significant technologies developed has been video streaming. It has transferred TV audiences to video-streaming websites.

Similar to legacy media like the printing press, telegraph and radio, the dominance of television has been challenged by these video-streaming websites in recent years. According to Morgan Stanley research, in the U.S. there has been a 50% reduction in broadcast TV audience ratings since 2002 (Edwards, 2013). The biggest contributor to this trend is online viewing of video, which is threatening the stability of the broadcast television industry. Moreover, with the wide use of portable devices and faster broadband, watching television via video streaming is becoming more accessible. Online viewing continues to eat into the core of live TV (Edwards, 2013). Undoubtedly, streaming video is changing the landscape of the traditional television industry. The definition of television has transferred to a broader field—Video. Audiences have entered a streaming video era.

The rise of the video-streaming revolution has spread worldwide, and China is not an exception. Streaming video, as one of the most popular new media modalities of the internet, has attracted large Chinese audiences since 2006. By the end of 2014, there were 433 million online video users in China, and 313 million watching streaming videos on cellphones (CNNIC, 2015). Moreover, supporting by wider use of more portable

technologies like smartphones, tablets, Google glass etc., video-streaming websites or related video apps have been one of the first entertainment tools for the Chinese people.

However, regardless of the platform's impact on the media industry, one thing has never changed: Content. Content with higher quality will always attract larger audiences. Several major Chinese streaming websites began to produce original content in 2010 because of changing policy towards online media and increasing competition with other media. From 2013 to 2014, the regulation of video streaming websites by SARFT (State Administration of Radio, Film, and Television) has become more intense. New regulations specify that new updated foreign content must be approved by SARFT prior to distribution. Additionally, the platform can only import a complete season of a show at one time, because SARFT will only view and approve a complete season, not single episodes. Because of this regulation, several foreign shows like *Shameless*, *Agent Carter*, and *Empire* were removed from video streaming websites in January 2015 (Wei, 2015). Although Chinese streaming websites have attracted large quantities of viewers by importing popular national and international shows on their platforms, the advantages are fading. Producing original content would help video streaming websites build their individual brand reputation as a media company rather than merely serve as a rebroadcasting platform.

Original content on Chinese video streaming websites grew quickly from 2011 to 2014. In 2014, Chinese video streaming websites entered into a new development period, including original content production, content homepage promotion, column branding, etc. In China, a mature program is commonly known as a "column", which consists of its production team, website, social platforms, spins offs, and its overall brand image. Column branding refers to video companies that build its programming as one of the company

brands to attract audiences. If a video platform builds one column brand, this will attract audiences for other programs based on this column's brand reputation. In recent years, column branding is developing as a trend in the Chinese television and streaming video industry.

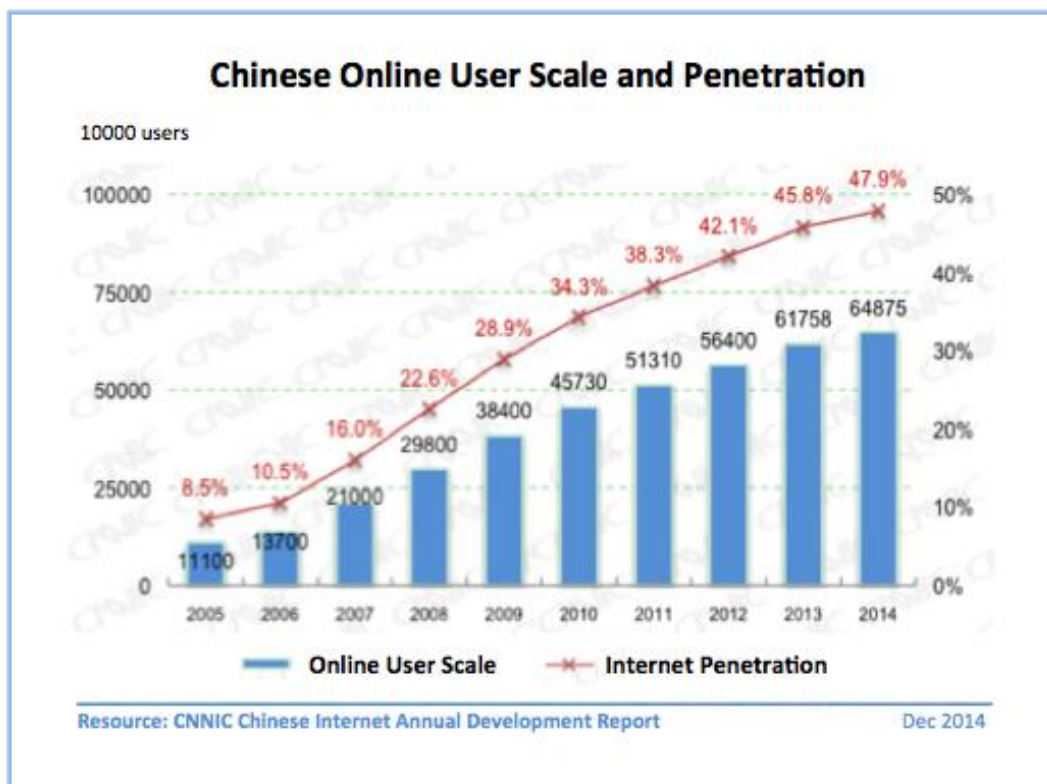
The five biggest video streaming websites, “Youku-Tudou”, “IQiYi”, “Sohu TV”, “Tencent”, and “LeTV” have launched original content channels and expended significant funds for production. According to Beijing News, there would be more than 50 original shows, 100 programs, and 1700 episodes produced and available online in 2014 (Wang, 2014). Compared to less than 10 original pieces of content in the first year of streaming video websites' production, the quantity of original content increased rapidly. Additionally, original content on streaming websites demonstrated their competitive potential. For instance, because of an outstanding production team with a good reputation, the latest talk show *U Can U Bibi*, produced by IQiYi obtained an advertising commitment of 50 million yuan (\$8 million US) for a sponsorship from “Metersbonwe”, a domestic fashion brand, before the show started shooting (CIAVC, 2014). Moreover, some original online content producers have sold their copyrights to traditional television channels in China. For instance, CCTV imported Youku's original show *Couple Travel. Hero of Chinese Characters* produced by IQiYi has aired on Henan TV (Zhang, 2014). Undoubtedly, original content has been a game changer. Original content on video streaming platforms is at a critical point for the emerging video streaming industry. This thesis studied and analyzed original content on the five major Chinese video streaming websites, YoukuTudou, IQiYi, SoHu TV, Tencent TV, and LeTV. Then, the researcher compared

the original content on these platforms, and analyzed their competitiveness by use of a SWOT analysis.

Background and Need

According to the 2014 Chinese Internet Annual Development Report issued by CNNIC (China Internet Network Information Center), there were 649 million online users in China at the end of 2014. The number increased by 3.1 million in 2015. 47.9% of Chinese people were using the internet (CNNIC, 2015). Undoubtedly, the Chinese online market is growing rapidly, resulting in growth and maturity for online media businesses.

Figure 1: Chinese Online User Scale and Penetration (CNNIC, 2015)



I. Online Media Development in China

In the 1990s, Chinese government reforms and open-market policies were launched, which rapidly drove commercial market development. With the opening of the Chinese economy and culture toward the world, new technologies began to be imported. The internet, as one of the most important technologies, entered China in 1994. By 1997, there were only 299,000 computers connecting to the internet, and 620,000 online users in China (CNNIC, 2012). Since 2001, a more relaxed government policy on networks and the consumer's desire for more current information has effectively promoted rapid growth of the internet. As a result, the internet has extended to almost every aspect of modern life in China because of its timeliness, interaction, and massive quantity of information. More importantly, the internet made information more open to the Chinese public. It supports more freedom of speech, expression and entertainment, stimulates new business models, and also provides more business opportunities. In addition, with further efforts on developing software and hardware technology, China has built several of the largest online media platforms in the world, such as Baidu, Sina, and WeChat.

2014 was a significant year for the development of the internet in China. With faster improvement of broadband technology, Chinese telecommunication operators began to promote 4G high-speed internet countrywide (CNNIC, 2015). More online businesses, such as Sina and Alibaba, have gradually matured and entered the global market. Moreover, the government set up the Network Security Department, and invested more resources in building a more secure network environment (Liu, 2014). At the same time, the government started to promote cooperation and fusion of traditional and online media. Undoubtedly, the internet has been seen as the main platform for future media.

II. Video Streaming Website Development in China

Video-streaming websites began in China in 2006. By the end of 2009, there were already 240 million Chinese people using online streaming websites. By May 2012, the scale of online streaming users has increased to 96% of all the online users, which exceeded the user scale of search engine services. At the end of 2014, there were 433 million users on video streaming websites in China, representing 66.7% of all online users. Among those, 313 million people watched streaming video on portable devices (Wen, 2013). The growth of the streaming websites' users was extremely rapid.

However, Chinese video streaming websites encountered a variety of difficulties. In 2006, inspired by YouTube's model, more than 600 video websites began to set up their UGC (User Generated Content) platforms in China. At the same time, attracted by this intuitive and dynamic image expression through the widely used internet, venture capital investors were optimistic about the prospects for the future of the video streaming industry. They provided large amounts of capital investment in the early stage of video streaming websites' development. For instance, from 2006 to 2013, about 50 companies obtained Series A Round VC (Venture Capital), 20 companies obtained Series B Round VC, and 10 of the 50 companies raised a total of more than \$20 million. In addition to the breakthrough of high-speed broadband technology and more available electronic devices like laptops and smartphones, Chinese video streaming websites began to take shape with rapid growth over the next two years. (Wen, 2013)

Streaming video websites like Youku and Tudou set up their platforms in these two years, and ran their websites by promoting user-generated content, airing national and internationally popular shows. However, YouTube's UGC model was not initially successful in China in part because the culture of recording and producing home videos

was new. Most video streaming websites abandoned this content model actively or passively. High volumes of traffic couldn't attract long-lasting and stable advertising revenue because of low quality user-generated content and piracy concerns on fragmented VOD-based networks (Wen, 2013). In 2008, national piracy regulations were issued. Video streaming websites had to pay for the previously pirated content. Most streaming websites were eliminated because of expensive copyright costs. Aside from popular national shows broadcast on traditional television, streaming websites couldn't attract advertising investment. In addition to the decreasing venture investment brought on by the 2008 global financial crisis, there were only a few dozen streaming websites remaining in the Chinese streaming market.

However, this situation changed dramatically with a new content model. Led by Hulu, the PPC (Pay Per Click) model became the main source of revenue in the video streaming industry since 2008. It generated revenue of \$100 million in the first year. It was the first video website that successfully made a profit in the first year as well (Wen, 2013). Based on offering large amounts of free legitimate streaming videos, Hulu Plus reached 6 million subscribers in Q1 2014 and built up a stable advertising-supported model (Hulu Upfront, 2014). In China, Hulu's model provided a new way for Chinese video streaming websites to enter a healthier online market. This advertising-supported model promoted the maturation of business operations of video streaming companies. Copyrighted content became the main resource of online video. As a result, Youku, Tudou and several other video sites actively announced a repeal of all pirated content. In 2010, Youku bought 85% of the shows airing at that time from different production companies, and secured 1500 programs, 40,000 episodes of national shows, and spent more than \$10 million on the next

three years on Korean programs (Zong, 2011).

However, the PPC model created a “Copyright Bubble” for Chinese streaming websites (Wen, 2013). Copyright Bubble is the concept that the price of copyrighted material of national popular shows increased too quickly for video streaming websites to afford in a sustainable manner. After reaching a consensus of providing legitimate content, streaming sites were more dependent on importing national and international material. All streaming sites rushed to purchase popular shows as much as possible, which promoted rapid pricing growth in China. As a result, content homogeneity became a very serious issue in the Chinese video streaming industry.

Additionally, competition between video streaming websites and traditional production teams has become intense (Xu, 2013). Traditional, popular TV stations and major production companies produced almost all original shows. As two main players in the entertainment industry, they held the biggest advantage, as they owned all the popular shows. Without production capabilities, Chinese video streaming websites had to pay a higher price for the popular shows in order to attract audiences. For instance, in 2014, Tencent TV spent 250 million yuan (\$40.3 Million US) on exclusive online broadcasting rights to the reality show *The Voice of China* Season 3 (Zhou, 2013). As a result of increased pricing for popular content, most sites were unable to maintain this level of expenditure, which was not sustainable. Additionally, many famous TV production companies stopped selling the copyrights of their hot shows in order to protect their audiences from migrating to online video platforms. High copyright costs and homogeneous content were the direct impetus for original content generation (Tian, Sun, 2013).

Under such market pressure, Chinese video streaming websites began to produce original content in 2009 (Wei, 2013). YoukuTudou Inc. was the first video streaming company that claimed to present original content online. IQiYi announced the “IQiYi Production” strategy in June 2011 (IQiYi, 2011). Sohu TV and Tencent TV built their content production studios at the end of 2012 (Tian, Sun, 2013). From 2009 to 2015, Chinese video streaming websites gradually built their advertising-supported business model, and spent more producing original content. Producing original content has been streaming video websites’ “Central Competitive Strategy” (Tian, Sun, 2013). According to The Beijing News, there were more than 1700 episodes of original shows airing on video streaming websites in 2014. The genre, quality and creativity of original shows had improved dramatically (Wen, 2013). Thus, 2014 was viewed as the very first year of original content on video streaming websites (iResearch, 2014).

III. Main Categories of Chinese Video Streaming Websites

There are four main types of video streaming media in China: Video-sharing, Web portals’ video, Internet Protocol Television (IPTV), and traditional networks’ video websites (Liu, 2013).

Video-sharing websites are ones that focus on providing a platform for UGC content, like Youku Tudou Inc. It possesses the largest scale of users and the most web traffic (Liu, 2013).

Web portals’ video websites are built or acquired by the main web portals in China. For example, Sina set up Sina Video, Baidu acquired IQiYi, and Sohu developed its video streaming platform Sohu TV. Based on the large amount of traffic and sufficient capital,

this kind of video streaming website rapidly became very competitive and influential in the Chinese video industry (Liu, 2013).

IPTV (Internet Protocol Television) is online video based on P2P (peer-to-peer) streaming technology. It highly decreases server pressure and bandwidth usage by large amounts of live streaming. Generally, users watch live streaming video and video-on-demand (VOD) by websites and clients. The typical websites in China are LeTV, PPTV (PPLive), PPS, Thunder, etc. In China, this type of video streaming media has built broad cooperation with traditional media companies, which helps import large amounts of popular content. Live streaming and VOD made it easy for Chinese IPTV networks to obtain more than 30 million viewers in the last decade (Liu, 2013).

The last type is video streaming websites set up by traditional TV networks, like CNTV and Mango TV. With a large amount of content and a professional production department, this kind of video streaming website could help traditional TV networks attract online audiences, and build their online market. (Liu, 2013)

IV. Introduction of Five Major Video Streaming Websites

From 2009 to 2015, Chinese streaming video websites have built 3 unique models: UGC, PPC, and IPGC (Lin, 2013) The four major video streaming websites provide these three kinds of content on their platforms.

UGC is User Generated Content, which means the content is provided by the online users. Users could upload their homemade videos, and also download videos produced by other online users. PPC refers to Professional Produced Content, which means the content provided is produced by traditional TV networks and professional production companies. IPGC is Internet Professional Generated Content, which is online original content produced

by professional production teams owned by video streaming websites.

YoukuTudou Inc.

Youku was formally launched on December 21st, 2006, with the slogan “World is Watching.” It initially focused on providing a video streaming platform for UGC. Users could upload and watch videos on its platform. They were known for turning some video contributors into overnight stars, including the Back Dorm Boys, who recorded themselves lip-synching to pop songs. In 2007, the company received \$25 million in funding from venture capitalists, and raised a total of \$110 million in private-equity funding in December 2009 (Chao, 2009). After raising a large amount of funds, Youku began to shift its focus to professionally produced videos licensed from over 1,500 content partners, and content made exclusively for its platform. It also started to invest more in mobile video. The new model is similar to Hulu, a video website in the U.S. that gives users free access to TV shows, movies, and other videos. As of January 2010, Youku.com was ranked #1 in broadcasting the largest number of video advertising projects according to internet metrics provider CR-Nielsen (Le, 2010).

Tudou launched on May 15th, 2005, as the first video streaming website in China. Tudou is a video-sharing website where users can upload, watch and share video clips. It was previously known as Toodou.com, and changed its domain name to Tudou.com in August 2006. The name came from the English idiom “couch potato”. Its slogan is “Everyone is the Director of Life.” Its Shanghai-based service uses Adobe Flash technology to publish more than 50,000 new videos each day, including amateur content such as video blogging and original videos, movie and TV clips, and music videos. Unregistered users can watch videos on the site, while registered users are permitted to

upload an unlimited number of videos, using on-line and Windows-based upload tools. Tudou completed its financial fund series A to E between 2005 and 2010, and raised a total of \$135 million dollars. On August 17, 2011, Tudou financed 174 million dollars, and was traded on NASDAQ (Xu, 2011).

On March 12, 2012, Youku reached an agreement to acquire Tudou in a stock-for-stock transaction, the new entity being named YoukuTudou Inc. It has more than 500 million active users (Clover, 2014). Currently, the company is the biggest video streaming company in China. In April 2014, it got financial support from Alibaba, the biggest e-commerce company in China. Alibaba bought stake of Youku-Tudou for \$1.2 billion, which was a combined 18.5 percent stake in Youku-Tudou (Gough, 2014).

Sohu TV

Sohu TV, as the earliest pioneer providing legal HD videos in the Chinese streaming video industry, is one the most popular video websites. Sohu TV was established at the end of 2004. Sohu TV's origins were different from Youku's establishment as a video streaming website. Its portal site Sohu.com developed it. Sohu TV is subordinate to Sohu.com Inc. In 2009, Sohu TV began to promote its new channel online: HD Shows and Movies. Sohu TV was also the first video website to import non-pirated U.S. shows. Thousands of domestic and international movies and shows were available on its platform, which made it a more competitive video streaming website. Since 2010, Sohu TV began to cooperate with traditional TV, and produce original content on its platform. In the next five years, several Sohu TV popular original programs like *Dior's Man and Fleet of Time*, had attracted large audiences. Sohu TV also led in cooperation with other video streaming platforms. On April 24th, 2012, Sohu TV, IQiYi, Tencent TV announced the building of a

video content organization in order to buy and share copyrights to popular TV shows (Sohu, 2014).

IQiYi

IQiYi is a video streaming website owned by Baidu, China's leading internet search engine. On March 30th, 2010, Baidu released a beta version of an independent video subsidiary Qiyi.com. On April 22rd, 2010, QiYi released its official version. Later in 2011, QiYi changed its name to IQiYi to announce its brand upgrade strategy. In 2013, Baidu bought popular video streaming website PPS, and merged the business of PPS with IQiYi's. From 2013 to 2014, IQiYi purchased most of the popular Chinese and Korean shows. Additionally, IQiYi had successfully achieved cooperation with several foreign production companies, and obtained large amounts of exclusive distribution rights on its platform. For instance, the IQiYi joint venture with Providence Equity Partners secured deals with Disney to show all seasons of Desperate Housewives, Cougar Town and Grey's Anatomy. Additionally, sustained by financial support and resources from Baidu, IQiYi possesses more content advantages than other video streaming websites when importing high-quality content. In February 2015, IQiYi got exclusive broadcasting rights to the Chinese Spring Festival Gala, which made it more widely used by Chinese viewers. iQIYI has successfully set up China's first copyrighted video library covering diverse content including movies, TV drama, variety shows, comedies, and documentaries, establishing its high-definition, smooth video content as the industry benchmark for quality (IQiYi, 2015).

Tencent TV

Tencent TV started in April 2011, as a subsidiary of Tencent.com Inc. Although Tencent entered the video streaming business later than others, Tencent TV had advantages with potential users with its instant message service QQ (Xiang, 2014). Founded in November 1998, Tencent has grown into one of China's largest and most used internet service portals. Since its establishment, Tencent has maintained steady growth under its user-oriented operating strategies. On June 16, 2004, Tencent Holdings Limited (SEHK 700) went public on the main board of the Hong Kong Stock Exchange. It is Tencent's mission to enhance the quality of human life through internet services. Presently, Tencent is providing value-added internet, mobile and telecom services and online advertising under the strategic goal of providing users with "one-stop online lifestyle services". Tencent's leading internet platforms in China – QQ (QQ Instant Messenger), WeChat, QQ.com, QQ Games, Qzone, 3g.QQ.com, SoSo, PaiPai and Tenpay – have brought together China's largest internet community, to meet the various needs of internet users including communication, information, entertainment, e-commerce and others. As of Dec 31, 2012, the active QQ users accounts for QQ IM amounted to 798.2 million while its peak concurrent users reached 176.4 million. The development of Tencent has profoundly influenced the ways hundreds of millions of internet users communicate with one another as well as their lifestyles (Tencent, 2014).

LeTV

LeTV was launched in November 2004, and went public in China in 2010. LeTV was the first video streaming website with a worldwide IPO. Its goal was to build a vertical business including platform services, content production, terminal hardware devices, and app development. Its daily users were more than 25 million at the end of 2014. Additionally,

it developed “Super TV” hardware in 2014 which is LeTV’s smart television, and the “LeTV Box”, which is television accessory equipment similar to “Fan TV” (Fan TV, 2015). “Super TV” is a smart television produced by LeTV. “Super TV” was the first smart television in the world to utilize the latest “Snapdragon S4 Prime” processor produced by Qualcomm Corporation (Qualcomm Snapdragon, 2015). The “LeTV Box” combined with the LeTV app, allows audiences to watch HD videos online, check their favorite content and add new movies or TV shows to a watch list. LeTV was also the first video website in China to promote original content. As of 2015, LeTV was the only video website to generate a profit in the video streaming industry (LeTV, 2015).

Statement of the Problem

Facing a changing media environment, Chinese video streaming websites have to deal with new problems in the video streaming industry and react appropriately to new challenges.

The Current Video/TV Competition Environment in China

Since 2009, with increasing commercial competition in China, the video and television industry became more formal and market-oriented. As a result, there were some new internal and external challenges that video streaming websites had to face in this more competitive marketplace.

External Challenges:

1. Government Regulation

SARFT (The State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China) is the Chinese version of the FCC. It has begun to issue several regulations with the goal of standardizing the traditional TV and emerging streaming video market, and guaranteeing the healthy operation of television and the online video industry. In the history of Chinese media regulation, print media was the most regulated media form (Wen, 2013). With the wide use of television since 2001, TV content became the major medium supervised by the government. For instance, in 2011 and 2012, SARFT issued the “Limited Entertainment Law”, which stipulates that, beginning in 2012, domestic TV networks must limit their entertainment content to 9 shows per year. Additionally, only two entertainment programs were allowed to air each week on each channel, and a channel could not broadcast entertainment content longer than 90 minutes every day during the prime time hours of 7:30pm to 10pm. As a result, since 2012, two thirds of all entertainment programs were turned off (Hu, 2013). Subsequently, production teams from traditional TV networks began to enter video streaming websites. This talent flow brought more professional production teams and technologies to video streaming websites.

With the rapid spread of online media, video streaming websites possessed the most freedom of operation with policy support. The latest restrictive policy on video streaming websites included piracy sanctions and video industry access regulation, which were both good for the industry. Piracy sanctions prevented pirated content on video streaming websites. Video industry access regulation stipulated that all Chinese video streaming websites should be approved prior to startup. Furthermore, SARFT’s several regulations

towards traditional television programs provided good opportunities for video streaming websites as well. For instance, in addition to the “Limited Entertainment Law”, SARFT’s 2012 “Limitation on Advertising Policy” led advertising agencies to move advertising expenditures away from traditional platforms in favor of video streaming. This advertising limitation specified that advertising is not allowed during any episode of a program. However, there was no advertising limitation on video streaming websites. This shift of advertising dollars brought more revenue to video streaming websites, which provided more funds to produce original content. For instance, in 2012, Chinese internet advertising market share had been up to 7.3 billion yuan, which grew 48.8% from 2011. In the same year, Youku received 387.4 million yuan revenue in its second quarter, which was mainly from advertising revenue (Tang, 2013).

2. Cost

Before producing original content, Chinese video streaming websites mainly provided two kinds of video content; UGC (User Generated Content), whose quality varies, and PGC (Professional Generated Content), which is produced by professional TV networks’ production teams or production companies. As the quality of PGC is higher than UGC, audiences are more willing to watch this kind of content online. As a result, video streaming websites have a great dependence on purchasing PGC, which led to the “Copyright Bubble” (Wen, 2013).

From 2009-2015, the price of popular show copyrights increased, which was prohibitive for many streaming sites. Prior to 2006, the cost was 100,000 thousand yuan (\$16,000 US) for 80-episodes of the comedy *My Own Swordsman*. However, in 2010, the cost had increased to 150,000 yuan (\$24,000 US) for one episode of the reboot drama *Three*

Kingdoms (Tian, Sun, 2013). From 2011 to 2014, exclusive broadcasting copyright became the center of video streaming's competition. Tencent TV spent in excess of 240 million yuan (\$38.7 million US) on the third season of *The Voice of China* (Tang, 2014). It cost IQiYi up to 200 million yuan (\$32.2 million US) to purchase five shows including “*Where Are You Going Dad*” from Hunan TV. Copyright cost had surpassed bandwidth cost as the largest cost of video streaming websites (Shu, 2013). Additionally, the cost of importing popular shows increased to a point that makes it very difficult for video streaming websites to remain profitable, even with large amounts of advertising revenue. With increasing copyright costs, LeTV is the only video streaming website, that has been able to make a profit (Jin, 2015).

3. Competitive Environment

Competition is ubiquitous in the video streaming industry. As an emerging medium, the biggest competitor that video streaming websites has to face is traditional television. From 2011 to 2013, national television networks recognized large potential profit in selling copyrights to online video websites. Limited video resources created fierce competition for copyright purchases. This allowed domestic TV networks to obtain large amounts of copyright revenue. However, video-streaming websites could import unlimited foreign shows and movies on their platforms, while, national TV networks could not because of government regulation. In order to protect content advantages, in 2014, some national television networks like Hunan TV announced that it would no longer authorize any popular show to be streamed online. The show could only be rebroadcast on its own online streaming platform Mango TV. In this circumstance, video-streaming websites lost a great deal of content (Shu, 2013).

Internal Challenges:

1. Homogenization of Content

Because the online streaming websites bought copyrights to similar shows such as *House of Cards*, they lost the content uniqueness, which reduced their competitiveness at the same time. For example, on April 24th, 2012, Sohu TV, IQiYi, Tencent TV announced the formation of Video Content Cooperation (VCC) in order to cooperate and share copyrights (Ning, 2012). Although this cooperation decreased the cost of importing, online streaming platforms lost audience loyalty. Major streaming platforms had to seek more new cooperative opportunities with foreign production companies to import exclusive content and collaborate on original content production (Shu, 2013).

2. Quality Problem

Since the birth of original content on video streaming websites, one of the most critical issues has been that of quality. As video-streaming websites didn't have professional production teams, structure and related experience, it was difficult for them to produce high-quality material. Thus, most video-streaming websites could only produce entertainment news reports and talk shows until the end of 2013 (Wei, 2013). Some video streaming websites, such as Sohu TV and IQiYi, produced short comedies, which were very popular in 2012 and 2013. IQiYi's *Surprise, Surprise!* attracted 600 million video playbacks (Yi, 2014). Sohu TV's *Diors Man* obtained more than 1 billion video playbacks. These kinds of short comedies usually concentrate on recreation and common issues of urban life. These works, similar to "Double Fly Art Center", were masqueraded in irrationality, adopting a "loony-tune" sarcastic approach by using comically absurd but straightforward metaphor: acting as idiots, robbing banks (Yan, 2010). However, there has

been no original content in China like Netflix's *House of Cards*, which indeed possesses a high-level of quality.

3. Brand Reputation Issue

Influenced by previous issues of piracy, Chinese video streaming websites' brand reputation had been harmed to some degree. Copyright infringement lawsuits against Chinese online video websites had been increasing since 2007. For example, New Media Group Holdings Limited suited Tudou.com for airing its movie *Crazy Stone* online without purchasing the copyright. SARFT noticed a series of lawsuits pertaining to copyright infringement on streaming video websites, and issued new regulations for supervising video websites. Undoubtedly, the pirating issue affected relationships between Chinese video streaming websites and foreign production companies (Sina, 2008).

Purpose of the Study

Video streaming websites are one of the most important video content providers in the online media industry. It developed quickly, and had a growing impact on the entire media industry in China. At the same time, original content was the most important strategy for the development of video streaming websites. Thus, the original content on Chinese video streaming websites relates closely to its future development. The purpose of this thesis was to study original content on four major Chinese streaming websites. By collecting data relating to original content on these four platforms, the researcher compared the content differences of these video streaming websites, analyzed how advertising was embedded in the original content, and how the users' experience and attitudes differed toward original content. With the summary of current development of Chinese original

contents, the researcher was able to analyze the advantages and disadvantages of original content on these major streaming platforms. As a result, the researcher will provide suggestions for solving current problems and for further development of the video industry.

Research Questions

Research on Original Content:

1. How much original content appears on the five major video streaming websites?
2. What kind of genres does the original content have? What is the percentage of each genre?
3. What amount of viewing does the original content receive?
4. What kind of advertising is embedded in the original content?
5. What is the duration of the advertising before, after or during the original content?

Research on the Audience of Original Content:

1. How many people have watched original content on streaming websites?
2. What the percentage of different age groups?
3. How many times do they watch original content?
4. How often do they watch original content?
5. How long do they usually spend watching original content on a daily basis?
6. What are the audience attitudes toward original content on video streaming websites?
7. On what devices do people watch streaming video websites?

Significance to the Field

In prior academic research on Chinese video streaming websites, there was no systematic study of original content. It is meaningful to collect statistics on the original content on four representative video streaming websites, analyze contents' quantity, genre, user scale, user experience, and advertising format. This study could provide a direct reflection of the current Chinese video streaming industry, and provide in-depth analysis of the current steaming marketplace environment and challenges that video streaming websites are facing. Moreover, the study would provide an overall examination and analysis of the original content on Chinese video streaming websites. Starting from the content analysis, the heart of online media, the researcher will provide a comprehensive summary of the original content development in this industry, which could be a useful reference for video streaming platforms' further growth.

Definitions

1. Video Streaming

Streaming video is content sent in compressed form over the internet and displayed by the viewer in real time. With streaming video or streaming media, a Web user does not have to wait to download a file to play it. Instead, the media is sent in a continuous stream of data and is played as it arrives. The user needs a player, which is a special program that sends video data to the display on a variety of devices and audio data to speakers. A player can be either an integral part of a browser or downloaded from the software maker's Web site. Major streaming video and streaming media technologies include Real System G2 from Real Network, Microsoft Windows Media Technologies, and VDO. For most Web users, the streaming video will be limited to the data rates of

the connection (for example, up to 128 Kbps with an ISDN connection). Streaming video is usually sent from prerecorded video files, but can be distributed as part of a live broadcast "feed." In a live broadcast, the video signal is converted into a compressed digital signal and transmitted from a special Web server that is able to do multicast, sending the same file to multiple users at the same time. (Rouse, 2010)

2. Original Content on Video Streaming Websites

Original content means video streaming websites that build their own production department and produce the video content themselves. Alternately, the production department invests or cooperates with other professional production companies to produce the content exclusively for their own platforms. The video streaming website possesses the copyright of its original content and has right to sell to other platforms.

3. Video Content Cooperation (VCC)

On April 24, 2012, TV.SOHU.COM, v.QQ.COM and iQIYI.COM (the specialized video website of Baidu) jointly announced the establishment of an alliance called "Video Content Cooperation" (VCC) for video copyright joint purchasing. The VCC is viewed as another "faction" after the recent combination of Youku and Tudou. The main purpose of the VCC is to jointly purchasing copyrighted content for each website. The creation of VCC aimed at lowering copyright costs on each platform.

4. SARFT:

The State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, formerly known as the State Administration of Radio, Film, and Television (SARFT) is an executive branch under the State Council of the People's Republic of China. Its main task is the administration and supervision of state-owned

enterprises engaged in the television, radio, and film industries. It directly controls state-owned enterprises at the national level such as China Central Television, China National Radio, China Radio International, as well as other movie and television studios and other non-business organizations. It is also responsible for censoring any materials that offend the sensibilities of the Chinese government or Chinese cultural standards.

Other organizations under the direct control of SARFT include: the China Film Group Corporation, the China Broadcasting Performing Arts Troupe, the China Council for TV Art, the Academy of Broadcasting Science, the Broadcasting Design Institute, the Radio & Television Publishing House, the China Film Art Center and the Information and Network Center (SARFT, 2015).

5. CNNIC

CNNIC is the China Internet Network Information Center, which issues to the public an annual report on the Chinese internet.

6. Copyright Bubble

Copyright Bubble is the concept that the price of copyrighted material of national popular shows increased too quickly for video streaming websites to afford. This term was invented by Lin Wen in his research thesis called *Study on the Original Program of Chinese Video Websites*. From 2010 to 2015, traditional TV networks and production companies sold popular shows' copyrights to online video websites. As online video platforms heavily relied on the import of copyright, the shows' prices were bid up far beyond their value. The copyright price became unreasonable.

7. Double Fly Art Center

Double Fly Art Center is a group of youth from Hangzhou. Their works were masqueraded in irrationality and hysteria, adopting a looney-tune sarcastic approach: acting as idiots, robbing banks, scrambling for the title of dancing king; shrieking, making faces, crashing, breaking down people's assumption and expectation of norms through the non-mainstream performance utilizing body and visual techniques (Hiromi, 2010).

8. Traditional TV Network

Traditional TV networks like Mango Films, and Shanghai Media Group developed from local TV stations like Hunan TV. The local TV stations grew so quickly from 1995 to 2015 that they expanded their business scope and built their own media networks. The business of these networks involves original local satellite TV, program and film investment, advertising companies, and other media companies.

Limitations

The researcher chose four major video streaming websites according to the latest revenue rank and their original content development, which didn't cover some other competitive Chinese video streaming websites. To some degree, this may create incomplete data collection and not provide a comprehensive analysis of video streaming websites. In addition, talking to a limited number of people and analyzing inadequate information may lead to bias. Moreover, it is difficult to measure the attitude of all users of video streaming websites and audiences' attitudes, which are always changing. Other than this, some

internal data like websites' advertising revenue and production structure are unavailable to the public.

CHAPTER 2: LITERATURE REVIEW

Introduction

The media environment is changing rapidly in China. Although a new part of the media industry in China, video streaming websites grew quickly in the last decade. Because of the changing internal and external environment, video-streaming websites built a better way to promote their platforms: producing original content (Wen, 2013). In turn, original content on video streaming websites also drove faster changes in the television and online video industries. From many aspects, researchers provided insight into concepts and

phenomenon on the original content on the Chinese video streaming websites. This literature review will address four main areas that relate to the development of the video streaming industry. The first area is the development history of Chinese video streaming websites. The second section is the reason why Chinese video streaming websites began to develop original content. The third part is the genre, features, production process, and profit model of original content on Chinese streaming websites. The last section will focus on the current issues facing original content, and suggested solutions to address those issues.

The Development History

2006 was the inaugural year for Chinese video streaming websites. Influenced by the news that Google acquired YouTube, the Chinese video streaming industry entered a fanatic-investing phase. More than 300 video streaming websites began in this year because of large amounts of venture capital investment. This growth stopped in 2008; due to global financial crisis, most investment companies left the Chinese video streaming industry. In addition to the increasing penalties for online pirates and industry access restrictions issued by SARFT, 90% of video streaming websites collapsed. In 2009, traditional TV networks began to enter the online video industry. CCTV, Hunan TV, Shanghai Broadcasting, and Phoenix TV gradually built their online video platforms. Until 2010, the players in the Chinese video streaming industry were basically in place and stable (Hu, 2013).

In 2010, Chinese video streaming websites entered a more mature phase, completing IPO's (Initial Public Offerings) and going public. LeTV, Youku, Tudou all successfully went public in this year (Hu, 2013). The flourishing stock market helped these video streaming websites raise more than \$400 million (Li, 2011). At the same time, capitalization generated pressure, which drove these websites to continually find new ways

to maximize profit. By the end of 2009, a new phrase began to appear in the online news about video streaming websites: “original content” (Wen, 2013).

Original content on video streaming websites is the content produced by video streaming websites, or funded by video streaming websites and produced by professional production companies. In 2009, original content began to appear on video websites; there were only two original shows on Youku.com. Three years later, there were 19 original programs, which were mainly produced by Youku and Sohu TV. By the end of 2014, Chinese video streaming websites had produced up to 44 original programs and 734 episodes (Luo, Li, 2015). 2014 was seen as the first year of significant amounts of original content production. By far, almost all Chinese video streaming websites had built professional production systems from program planning, content production to content distribution, air and promotion (Wen, 2013).

The Reasons For Producing Original Content

From 2010 to 2015, increasing copyright costs, serious content homogenization, and growing viewer demands created more stresses for video streaming websites. In addition to new media policy support and more funding, it was feasible for video streaming websites to produce original content (Xiong, 2013).

In China, the primary costs for video streaming websites include bandwidth, copyright, and salary. In the early stages of development, bandwidth cost was the largest cost contributor. Prior to 2009, Chinese video streaming websites had to spend up to 120 million yuan (\$19.3 million US) on bandwidth cost, which was 60% to 70% of total costs

(Liao, 2009). With the development of bandwidth technology in subsequent years, video streaming websites reduced large amounts of operating expenses on bandwidth.

In the traditional television and video streaming industries, high-quality content is undoubtedly the main way to attract audiences and advertising agencies. (Wen, 2013) In China, traditional television networks and content production companies possess most of the content copyrights. (Xiong, 2013) Because of increasingly fierce competition for content, copyright cost became the largest cost since 2011. In addition to the consolidation of the copyright market, Chinese video streaming websites had to purchase expensive popular shows from two major content owners, traditional TV networks and professional production companies, to attract larger audiences. High expenses for importing content made it difficult for video streaming websites to generate profits (Wen, 2013).

Copyright cost pressure also led to content homogenization. The pressure from copyright cost drove an increasing number of websites to distribute copyrights that they bought. The “Copyright Bubble” made authorized broadcasting meaningless for video streaming websites (Shu, 2013). As a result, homogenization of content was inevitable, and online audiences could watch a specific popular show on every website. Video streaming websites needed to find new ways to fight for unique and competitive content (Shu, 2013).

At the same time, increasing audience demands drove changes in the video streaming industry (Shu, 2013). With upgrades of electronic products, users required more customized content on their e-devices. Additionally, audience habits changed with rapid expansion of audience scale. People were more willing to watch shorter videos with more information, and audiences demanded more interaction with video content. For instance, they were more willing to leave comments and feedback from their viewing experience

(Shu, 2013). Original content can satisfy the users' needs to a maximum if streaming websites fully analyzed users' requirements.

The current revenue model of Chinese streaming websites mainly relies on traditional advertising, which is still competing for the same market as traditional television networks. This advertising model is derived from traditional television advertising. It forces the audience to watch a specific duration of video ads, and cannot be skipped. In fact, this kind of mandatory advertising strategy is very dangerous for video streaming websites' operation (Shu, 2013). It against the nature of online media, and will inevitably raise viewer apathy. Meanwhile, subscription fees and copyright distribution only occupy a small portion of revenue (Yu, 2011). Thus, producing original content may help video streaming websites to find new revenue sources.

Changing government media policy influences the current and future development of the streaming industry as well. In September, 2011, SARFT issued the "Limited Entertainment Law", which stipulated that beginning in 2012, domestic TV networks were required to limit their entertainment content to 9 shows per year. Additionally, only two entertainment programs were allowed to air each week on each channel, and a channel could not broadcast entertainment content longer than 90 minutes every day during prime time from 7:30pm to 10pm. As a result, two thirds of entertainment programs were cancelled since 2012. Subsequently, production teams from traditional TV networks began to enter video streaming website segment. This talent flow brought more professional production people and technologies (Hu, 2013). The senior content director of IQiYi said that IQiYi had undertaken a lengthy amount of preparation for its entertainment content project, and the talent flow indeed strengthened its production team. "Currently, 40% of

IQiYi's production team are from traditional TV production departments, 40% are from traditional website companies, and 20% have cross-media experiences in both industries" (Chen, 2011). Undoubtedly, this talent import has brought a good opportunity for video streaming websites to build their professional production teams. Furthermore, SARFT's new "Limitation on Advertising Policy" led the advertising agencies' move to video streaming platforms since 2012. This advertising limitation stipulated that the total commercial load for any single episode of a program could not exceed 30 seconds. This led to the migration of advertising revenue to video streaming websites, which in turn, provided more funds to produce original content.

Current internal and external environments prompted streaming websites to explore a new revenue resource: producing original content. In turn, original content drove Chinese video streaming websites to enter a new phase of development (Shu, 2013).

At the micro level, producing original content helped to decrease the number of purchased shows, thus a subsequent decline in copyright costs. At same time, more differentiated content would be achieved, which would improve content competitiveness. Producing original content could also lead video streaming websites to diversify its revenue streams beyond traditional advertising. Product placement, program investment by advertising agencies, and distribution of original content copyright were all feasible ways to generate revenue (Shu, 2013).

From a macro perspective, producing original content has began to drive Chinese video streaming websites to enter the production aspect of the video industry, which plays a predominant role in the entire industry. Chinese video streaming websites are transferring their role from content distributor to content producer and platform operator (Wen, 2013).

Entering into production business helped video streaming websites open the upstream (production section) and downstream (broadcasting section) of the video streaming industry chain. In the future, video streaming websites would gradually win more control on the content, and gain more initiatives in the video industry (Wen, 2013).

The Characteristics of Original Content

I. Production Model and Genre

In China, video streaming websites produce original content in two ways: self-production and participated-production (Hu, 2013). Self-production means that video streaming websites independently produce original content, including program planning, shooting, post-editing, broadcasting, program promotion, and advertising sales. Participated-production refers to video streaming websites that invest or participate in some parts of the production processes by cooperating with professional production companies. Professional production companies are the primary producer in participated production (Shu, 2013).

Currently, there are three major genres of original content on Chinese video streaming websites: the original reality show, the original series, and the original movie (Tian, 2013).

Multiple video-streaming websites began to produce original videos, such as news conferences and interviews prior to 2010. However, this kind of video lacked continuity, and could not leave a deep impression in viewers' minds. With gradual exploration in producing original content, more professional content was provided by video streaming websites (Xiong, 2013).

For original series' and movies, video streaming websites have created a stable production chain, in which they mainly function as an investor in the production process. Most movies and series are outsourced to professional production companies and marketing companies (Wen, 2013).

Video streaming websites produce most reality shows themselves, among which the most popular genres are talk shows and entertainment news reports. For instance, the first original online talk show *Morning Show* was produced by the "Youku Original" channel. In its 2012 inaugural season, the show generated more than 130 million hits and playbacks, and nearly 300,000 reviews by viewers. It also broke several records, such as total online talk show plays, increasing growth of online viewing, and public attention (Liu, 2013). Among the top ten talk shows available online, there were four produced by video streaming websites (Tian, 2013). Because of low technical barriers to entry, and an unlimited range of themes, video streaming websites have creative freedom to produce the shows they want. Advertising sales are more creative and diverse as well. In addition to the traditional attached advertising, video streaming websites insert ads in other ways, like using product placement in the shows and selling naming rights to advertising agencies.

II. Operation of an Original Content Platform

By June 2015, Chinese video streaming websites including Youku, Tudou, Sina, Tencent, IQiYi, LeTV, etc. all had professional broadcasting studios. For example, Sohu TV and Tencent TV built multi-broadcasting studios, equipped with an EFP system (Electronic Field Production) in order to do live broadcasts and rebroadcasts.

In general, the basic program planning process of a video streaming production team operates in a fashion similar to that of a traditional television production department.

Video websites do have some differences with traditional television networks in production systems, process, equipment and distribution methods.

Providing video on demand is the biggest difference and advantage for streaming video production. Based on large amounts of user data, streaming video studios take advantage of these data to analyze viewer demand, and respond to their requirements. Interaction is another unique characteristic of production. On occasion, interactions with viewers or other shows can attract the attention of larger audiences. For example, Sohu TV's *Dapeng Talk Show* is the first online interactive talk show. In 2013, *Conan* accused *Dapeng Talk Show* of plagiarizing its opening. Dapeng actively responded and apologized to the *Conan* production team in the show, and quickly changed the opening. The two hosts, Conan and Dapeng, interacted separately in their shows. This interesting and unprecedented interactive activity between a traditional U.S. talk show with an online original talk show attracted attention (Sohu, 2012).

Source: tv.sohu.com



Based on the principles of high flexibility and adaptability, video streaming websites don't require expensive production, live broadcast and transmission equipment. According to most reality program requirements, the area of video websites' studios is usually between 50-300 square meters. Online video broadcasting equipment and

collaborative live streaming backstage are enough for daily production and upload. A 3 to 4 channel uploading, downloading and broadcasting video system can satisfy the requirements of convenience, efficiency, and flexibility in online video production (Tian, 2013). Thus, the costs of building a studio and producing a program are much less than those of traditional television networks. For instance, the most popular talk show, Morning Call spent just 150 yuan (\$24 US) on its one episode production in 2011. Compared to 300,000 yuan (\$48,387 US) per episode for importing shows, the cost of original content production is far less than the average import price in that year (Shu, 2013). In general, broadcasting studios of video streaming websites have almost grown to the same level that traditional TV networks have (Tian, 2013).

With regard to the distribution of original content, video streaming websites' distribution is simpler and less expensive than that of traditional television stations. By uploading content on cloud servers, video websites can distribute their content to different multi-terminal servers after transcoding. For instance, a cloud system will send streaming videos with different speeds of code streams according to different devices. Considering diverse resolutions of screens, the cloud server will send lower code streams to phone users, and send higher code streams to devices like PC's or Smart TV's. Consequently, every user can watch fluid streaming videos on any device, such as phones, tablets, laptops, and PC's (Tian, 2013). As a result, the program transmission is immediate and inexpensive. Video streaming and bandwidth technology make it easy to broadcast live shows without geographical restrictions and speed limits. It also allows unlimited content transmission to multiple terminals through the internet.

The maturation of big data technology makes it possible for video streaming websites to provide more appropriate content for the niche audience. “Competing just on producing professional content is not the only way that we can figure out. Actually, we can take more advantages of the internet itself.” Youku’s CEO Ming Wei expressed that video streaming websites can collect and analyze users’ habits by their online activities like viewing, clicking, and interacting. Then, video streaming websites can provide specific content to meet diverse requirements of different users (Wang, 2014).

In conclusion, on the aspect of production systems, process and distribution, video streaming websites are most concerned with producing original content in a simple and flexible way with high efficiency. With the further development of production teams, Chinese video streaming websites have gradually built a complete production system with different programs of different themes and genres.

Current Issues and Solutions

After entering the original content production business, most Chinese video streaming websites indeed achieved improved competitiveness and changing income structure to some degree. However, several issues arose at the same time (Shu, 2013).

In the first three years of original content development (2009-2011), Chinese video streaming websites lacked professional producers, with related experience. In the process of production, some important aspects were overlooked. For example, some programs were produced before the script writing, story structures, and even plots were sound. Some production teams pursued celebrity actors, sound effects, and advertised product placement, which led to a variety of plot and logic gaps. In addition to insufficient production funds and time, the quality of original content varied. For instance, the original show *Mr. Stupid*

on Tudou.com had ten episodes. The non-professional production team spent less than 7 days on the production (Shu, 2013). The clicks and reviews of the viewers were predictable. Only 86 people visited the show's main website. The most watched episode received only 17,400 clicks, which was much fewer than some UGC content clicks (Shu, 2013).

The genre of original content is limited. As websites' target audiences are similar, they produce original content with similar genres and themes. Thus, original content on different platforms are concentrating on several themes, such as emotional drama, soap opera, and entertainment news. The genres like traditional news, documentaries, or dramas with diverse themes are very limited (Shu, 2013).

Lacking creativity is another serious issue. In the first two years (2009-2010), many original series plagiarized themes and plots directly from popular foreign shows. For instance, Youku's *Office XiHa* simulated an English show *The IT Crowd*. Even some lines from the show were similar (Xiong, 2013). This problem also existed in some integrated advertising. The planted products appear very frequently in the original content, like on the costumes, or held by the actors. In order to make the audience more aware of the product, some advertisements were inserted into the story lines and even given some inappropriate close-up shots. As a result, a loss of content quality not only leads to audience loss, but also damaged the platform's reputation (Shu, 2013).

Additionally, the production capability of video streaming websites was limited. There were only a few websites that could produce original content entirely independently in China. Cooperating with, or outsourcing to professional production companies became the main way for video streaming websites to produce original series' (Wen, 2013).

The Chinese video streaming website industry is young, lacking basic production criteria. However, with faster development of original content, the production standards need to be quickly increased as soon as possible to ensure quality content. Even though very different from traditional television networks, some operational rules are similar and can be utilized. For instance, the platform should set up an independent section for original content on the home page. Consistent update times and programs with different themes and genres are necessary as well. Following these guidelines would drive video streaming websites to build much more professional content platforms. It would also promote to audiences that this platform could not only provide the same high-quality content as traditional channels but also provide more customized content (Xiong, 2013).

Additionally, improving the user experience is another critical solution. The scale and loyalty of the audience are the two most important things for video streaming websites. Only improving the user's experience can achieve this goal. From the content perspective, in addition to ensuring the quality of original content, video streaming websites also need to improve the quality of advertising. When quality increases, speed becomes the main point of competition. Increasing the buffering speed and decreasing waiting time cannot be ignored. At the same time, with the gradual availability of viewing anything anywhere on any device, video platforms should adjust video's resolution on different e-devices (Xiong, 2013).

Last and most important is building an entire business system in the video streaming industry. Similar to how the big four TV networks (ABC, CBS, NBC, FOX) built their production and broadcasting systems in the U.S., Chinese video streaming websites should concentrate on building their own brands and production systems. Video streaming

websites will only be competitive by adopting self-production, promoting self-owned brands, and connecting all links in the video operation process, such as production, branding, promotion, and broadcasting online.

Summary

The television and video streaming environment is constantly changing. Prior to 2014, Chinese video streaming websites obtained little venture investment. 2014 saw an increase in worldwide funds being invested in the Chinese video streaming industry (Gough, 2014). The five major video streaming websites received more resources and funds for original content. The rapid growth of original content was not only in quantity but also in quality. At the same time, new issues and situations arose because of changing internal and external circumstances. Thus, more studies on original content are needed. This current research focuses on the comparison of original content produced from 2012 to 2015 on five major video streaming websites in China, examines the users of this content, and discusses how to improve the service for each platform.

CHAPTER 3: METHODOLOGY

Introduction

The growth rate of Chinese video streaming websites is very high, with original content playing a critical role. Although this component of the business has not been profitable for most companies, it has been transforming the landscape of the online video streaming industry. From 2010 to 2015, five major Chinese video streaming websites, YoukuTudou, IQiYi, Tencent TV, Sohu TV, and LeTV, have promoted their own original content. What was the development process for original content on these five major platforms? What original content did viewers watch, and how did they watch it? What were the attitudes of viewers toward online original content?

In order to explore the research questions above, this thesis employed quantitative and qualitative methods. These methods were used in the analysis of the original content of the five major platforms. The original content of the five major video streaming websites was gathered. The researcher gathered the output amounts, and amount of views, and averaged the number of views of original content on the top five video streaming platforms. This original content was also grouped into different categories according to their genres. The researcher compared the output amount of each original genre on the different

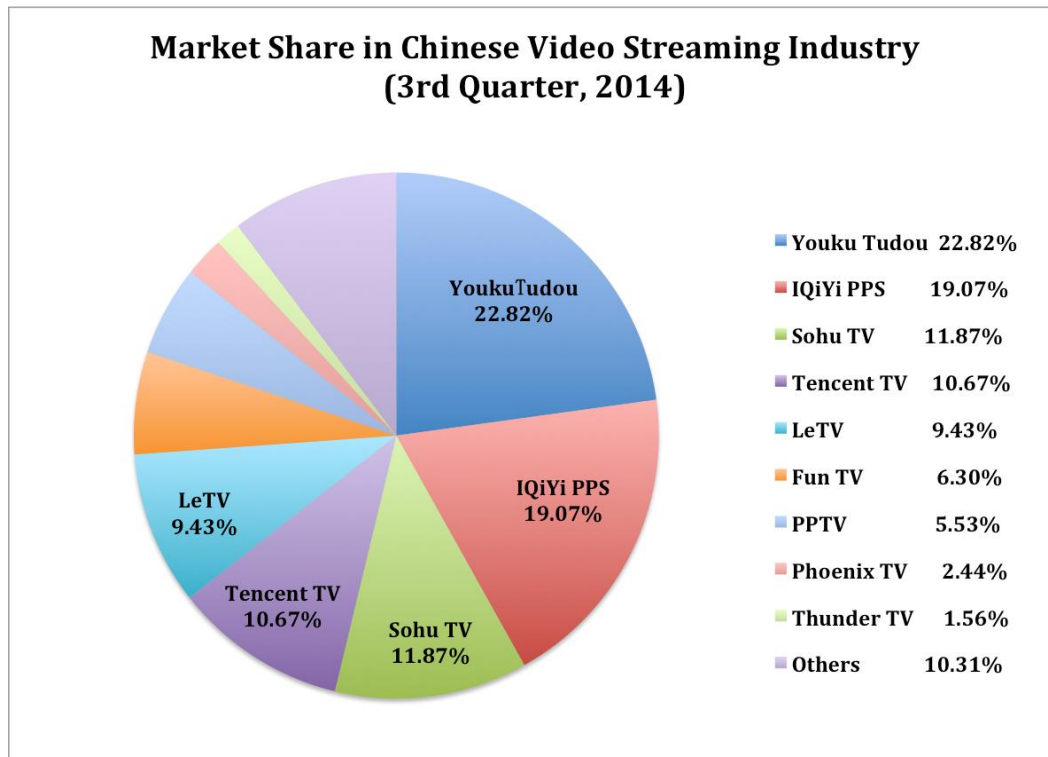
platforms. The goal of this content research was to analyze the main statistics of the original content development on these major platforms.

The thesis also includes a 19-question survey, which was used to collect information on the viewing habits and attitudes of viewers toward different platforms and their original content. This survey was answered by people of different age groups in China who used video streaming websites in their daily life. Through this approach, the researcher was able to collect information on user habits, attitudes, and preferences regarding original content on different video streaming websites. The researcher also included an interview with a group of users who watch videos on video streaming websites every day.

Setting

In order to compare the original content of different video streaming platforms, the researcher first needed to decide which Chinese video streaming platforms were most suitable and appropriate for analysis. According to the latest data released by Yiguan Database, a Chinese professional data analysis company, the market share rank of streaming video websites in the third quarter of 2014 provided a reasonable list. YoukuTudou, IQiYi, Sohu TV, Tencent TV, and LeTV were in the top five places, indicating their strength in the industry. Consequently, the researcher chose these five platforms as the objects of study.

*Figure 2: Market Share in the Chinese Video Streaming Industry
(Yiguan Database, 2014)*



The survey of viewers was conducted online in Mainland China and the U.S. through Wen Juan Xing <http://www.sojump.com> and Drexel Qualtrics. The edition distributed in China was in Chinese, and the Qualtrics edition was in English. The researcher also used several social media websites such as Facebook, Weibo, and WeChat to distribute the online survey to a broader range of participants.

Sample

The survey used a random sampling technique in its surveying procedures. There were no limitations to nationality or demographic characteristics. The participants were from a broad age range. A total of 117 individuals participated in this survey. Among these individuals, 68 were female and 49 were male. Their ages were divided into five groups, 2 from ages 13-18, 105 were from 19-35, 7 from 36-50, 2 from 51-65, and 1 participant over 65. Five interview participants were selected from a total 116 individuals who had watched most of the top ten original programs on video streaming websites.

Measurement Instrument

The researcher created a questionnaire to collect data on viewers. This questionnaire was sent out to gather information on the viewing habits of the audience, as well as their preferences and attitudes toward original content on different video streaming websites. Viewer perspectives assisted the researcher in completing a comparison of the original content on the five major platforms. The survey of viewers' attitudes included questions on different aspects of the original content, such as duration, function, ease of use, and advertising. Survey results were collected and exhibited in different charts, which provide for further analysis.

Validity and Reliability

The questionnaire was sent out in advance and was pretested with several people of different ages. The researcher did this to ensure that all the questions in the questionnaire were appropriate and reasonable for everyone who would take part in the survey. However, there still would be a bias in the results, as the range of participants cannot contain all ages, genders, and regions evenly.

Data Collection Procedure and Data Analysis

The questionnaire was distributed through the internet after the pretest. In addition to traditional email, the researcher mainly distributed the survey through a Chinese social media platform called WeChat. The data-collection period lasted two weeks. After collection was completed, the questions and answers were classified into different categories, and then analyzed. Some of qualitative answers were made into different kinds of graphs, while others are relayed through numbers and percentages in the discussion

section. The survey results were used for analysis of user preference on video content and advertising. These survey results, combined with the collection of original content by the researcher, were used for an analysis and comparison of the original content.

CHAPTER 4: RESULTS

The results include the data from the survey of video streaming website users, as well as data on original content collected by the researcher. Combining these two data collections, the researcher will compare and analyze the performance of original content on the top five video streaming platforms.

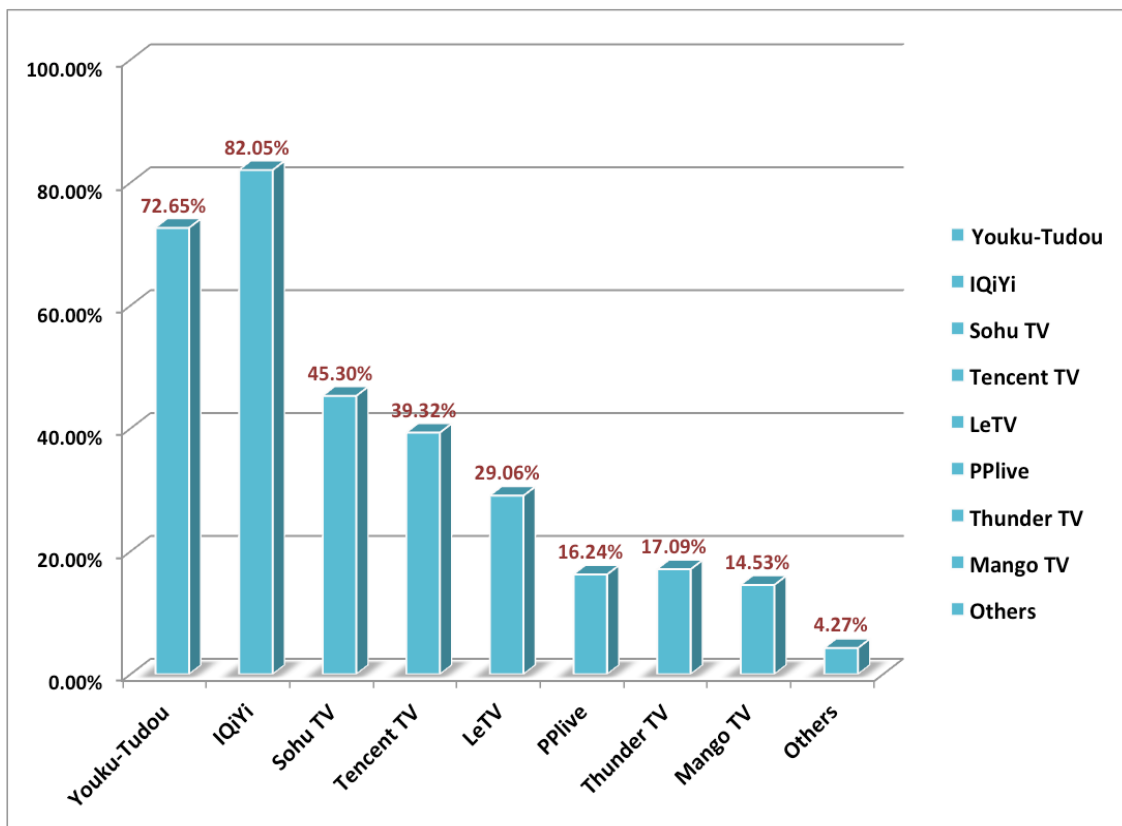
Results of the Survey

There were 117 people who participated in the survey, among which 58% were female and 42% were male. Female viewers were more numerous than male viewers, which is understandable as females are heavier viewers of both traditional television and video streaming websites. 105 of the participants were in the age range of 19-35. This is also not surprising as the people in this age range are the main users of the internet and smart devices. 7 participants were from the 36-50 age group. Two people were in the 52-65 age range, and two were between the ages of 13-18. There was only one participant who was over the age of 65.

Questions 3 to 7 focused on the basic use habits of online users, including their use of video streaming websites, their frequently visited video platforms, and the frequency, duration, and devices of use on video streaming websites.

Among the 117 participants, 113 people had previously used video streaming websites, in contrast to 4 people who have never used video streaming websites. 82% of participants usually used IQiYi PPS, and 73% often used Youku Tudou. In the common usage of other sites, 45% used Sohu TV, 39% used Tencent TV, and 29% used LeTV.

Figure 3: Usage Frequency of Different Chinese Video Streaming Websites



With regard to frequency of use, 40% of participants used video streaming websites every day. 36% used the sites four to six times per week, 11% used them less than three times per week, and 8% used them less than four times per month.

As to duration of use, 33% of participants chose viewing duration according to the attractiveness of the content. 26% usually watched a half-hour to one hour per viewing session. 23% watched 1-3 hours per session. Only 7% of participants watched less than 30 minutes and only 4% watched between 3 and 5 hours. This means people typically do not spend less than 30 minutes, or more than three hours on video streaming websites.

Regarding the use of devices, 71% of participants usually use smartphones to watch video streaming websites. 44% use laptops, 38% use tablets, and 8% use smart TVs. Portable devices are much more popular than others, indicating that people like to obtain content anytime, anywhere, and without device limits.

Questions 8 to 10 were formulated to collect data about the preferences of users concerning content on video streaming websites. 65% of participants usually watched movies on streaming websites. 39% watched variety and competition shows. 38% enjoyed watching dramas, and 32% preferred comedies. 25% of people watched traditional news programs, and 27% chose entertainment news and talk shows. From this data, it is clear that people prefer videos with specific time limits, such as movies, which do not take a long time but that provide a complete story. Compared to movies, variety and competition shows attract audiences who prefer interactions between real people. A quarter of the respondents chose traditional news, entertainment news, or talk shows, as the duration of these programs are generally not too long and contain more informational content.

In Question 10, participants were asked to rank the video streaming websites provided. The ranking was IQiYi, Youku-Tudou, Sohu TV, Tencent TV, and LeTV, in that order. As the most popular platform among the five top, IQiYi possibly earned its first place position due to its numerous, high quality original content. Youku-Tudou, as the pioneer of the Chinese video streaming industry, possesses the largest base audience.

Questions 11 to 15 were aimed at collecting information on viewers' experiences and preferences for original content on video streaming websites. Among the 116 participants, a majority (75%) had watched original content. 20% had never watched original content, and 5% were unfamiliar with the term. These survey results have some limitations as a large amount of the participants in this survey were in the 18-35 age range.

Questions 12 and 13 provided the top eleven original shows online. Among those, *Diors Man* (48%), *Surprise Surprise!* (38%), *Dapeng Talk Show* (31%), *Morning Talk Show* (26%), and *Wonder Lady* (22%) were the most viewed works of original content programming. Among these five shows, there were three produced by Sohu TV, one produced by Youku, and one produced by IQiYi. Ranked by the survey participants, the top five popular shows were *Diors Man* (34 likes), *Surprise Surprise!* (33 likes), *Morning Talk Show* (21 likes), *Dapeng Talk Show* (18 likes), and *U Can U Bibi* (14 likes). Sohu TV and IQiYi respectively produced two of the top five, and Youku produced one.

When asked about the reasons they liked original content, 37% of the participants noted that the dialogue and interaction between the hosts and the participants was interesting. 36% expressed that the plots and structures of the shows attracted them. 25% wanted to learn more, and 23% said the performance of the actors attracted their attention. 30% of the participants hoped to watch more political dramas. 39% preferred regular

comedies. 31% chose the mini-movies. Also, 37% participants wished to watch more creative reality shows, and competition shows on video streaming websites in the future.

Questions 16 to 19 mainly concerned the attitudes of viewers towards video streaming websites' main revenue source—advertising. Among the 117 participants, 76 people responded that they did not like advertising. 41 people were neutral about it. 59% of participants felt that the duration of the ads was too long. 47% believed that the ads repeated too frequently. 25% of people hated ads for no particular reason. 23% of the participants felt that they never needed any of the products shown in the ads, and 21% disliked ads because of their low quality. Thus, the duration and repetition rate of the advertisements were the main reasons why people did not like them. More than 97% of participants would not endure ads that lasted for more than 30 seconds. 72% of participants would not spend more than 5 yuan (less than a dollar) per month on a subscription fee to watch video content without ads. 24% stated that they might spend 5-20 yuan (about 1-4 dollars) per month on it. Only 3% of participants were willing to pay more than 20 yuan per month on a VIP subscription.

Results of the Original Content Collection

The collection of original content focused on the top five video streaming websites: Youku-Tudou, IQiYi, Sohu TV, Tencent TV, and LeTV. There are three main types of original content on these five Chinese video streaming websites: original series, original programs, and original movies.

Youku has all three types of original content on its platform. In total, it has produced 29 original series, 59 original programs, and 23 original mini-movies since 2009. Tudou has produced 31 original series, 26 original programs, and 14 original movies.

Considering that Youku and Tudou merged into one company in 2012, the researcher analyzed these two video streaming websites as one entity in this chapter and in further discussions. As the pioneers of video streaming in the Chinese video market, Youku-Tudou has produced at least 182 works of original content. It undoubtedly has provided the largest quantity of original content among the five major platforms.

Tencent TV has 73 self-produced works: 23 original series, 32 original programs, and 18 original mini movies.

IQiYi produced 69 works of original content, among which were 2 mini movies, 17 original series, and 50 original programs.

Sohu TV produced 16 works of original content, and its first self-produced movie will be released to the public in July 2015.

LeTV provided 90 works of original content, including 40 original series, 19 original movies, and 31 original programs.

Table 1: Original Content Output of Top Five Video Streaming Websites
(In number of shows)

	Output	Original Series	Original Programs	Original Movies
Youku-Tudou	172	52	81	37
Tencent TV	73	23	32	18
IQiYi	69	17	50	2
Sohu TV	16	11	5	1
LeTV	90	40	31	19

In addition, the researcher categorized the original series and programs according to their different genres, including comedy, drama, entertainment news, talk show, variety show, reality show, travel show, UGC series (User Generated Content series), and documentary. The table below provides the production numbers for the different genres, on the top five video platforms. Only the content whose total amount of views reached over 50 million were collected in the table.

Table 2: Output of Original Content by Genre (In number of shows)

	Youku Tudou	Tencent TV	IQiYi	Sohu TV	LeTV
Entertainment News	9	10	12	1	7
Talk	18	2	9	3	14
Variety	2	1	1	0	1
Reality	10	12	6	1	2
UGC Series	7	0	4	0	0
Comedy	24	13	4	8	35
Drama	5	10	6	3	6
Documentary	4	0	0	0	1
Others	58	7	18	0	24
Total	172	73	69	16	90

The overall number of views on the top five video streaming websites is another critical piece of data for original content. In the video streaming industry, the total amount

of views is an important index for measuring user attitudes towards content on the different platforms. Additionally, the average amount of views is another vital index to demonstrate the average popularity of the content. According to the collected data, the total amount of views on the top five Chinese video streaming websites are Youku-Tudou with 19.71 billion, Tencent TV with 33.28 billion, IQiYi with 9.2 billion, Sohu TV with 6.43 billion, and LeTV with 1.73 billion. A larger amount of total output cannot ensure a corresponding amount of views. The average amount of views for the original content on the top five video streaming websites are Youku-Tudou with 114.6 million, Tencent TV with 455.9 million, IQiYi with 133.3 million, Sohu TV with 402.2 million, and LeTV with 19.9 million.

Table 3: Viewing of original content on the top five video websites

	Total Output (Number of Shows)	Total Amount of Views (In Millions)	Average Amount of Views (In Millions)
Youku-Tudou	172	19712	114.6
Tencent TV	73	33283	455.9
IQiYi	69	9200	133.3
Sohu TV	16	6436	402.2
LeTV	87	1732	19.9

It is clear that Youku-Tudou did not receive the largest amount of views for its original content even though it produced the largest number of original works. Tencent TV and Sohu TV were in the first two places for the average amount of views. However, compared to the output of Tencent TV, Sohu TV produced a lower amount of original content but received the highest average amount of views. IQiYi performed similar to

Youku-Tudou as concerns the average amount of views. LeTV received the lowest average of amount of views.

In the following table, the researcher filtered the original content into the categories of whose total amount of views reached over 50 million and whose average amount of views reached over 1 million. In this table, there is a comparison between the total output amounts and the output amounts with large amount of views. According to the percentage of original content whose amount of views is over 50 million, the rank of Chinese top five video streaming websites is Sohu TV, IQiYi, Tencent TV, Youku-Tudou, LeTV. Regarding total views over 100 million, it is obvious that Sohu TV performed best among the five video platforms. Tencent TV and IQiYi followed, with Youku-Tudou in fourth place. LeTV was in last place.

Table 4: Original content that received over 50 million views

	Total Output (Number of Shows)	Total View >50 million	Total View >100 million	Average View >1 million
Youku-Tudou	182	55 (30%)	31 (17%)	56 (31%)
Tencent	73	36 (49%)	25 (34%)	43 (59%)
IQIYI	69	42 (61%)	25 (36%)	30 (43%)
Sohu	16	16 (100%)	11 (69%)	16 (100%)
LeTV	90	11(13%)	3 (3%)	2 (2%)

Although Youku-Tudou produced the largest amount of original content, the click and view numbers on the platform were not the highest among the five major platforms. Among the 182 works of original content, only 30% of original content received over 50

million views from online users. This was much lower than the ratings for Sohu TV and IQiYi.

For Tencent TV, 36 works of original content garnered more than 50 million views, and 25 of these received over 100 million views. In other words, 49% of original content obtained more than 50 million views and 34% obtained over 100 million views. Additionally, there were 12 original series that obtained more than 50 million views, among which 7 series received more than 100 million views. 24 original programs received over 50 million views, and 17 obtained over 100 million views. The average number of views for each episode is relatively high as well. 43 original series and programs averaged more than 10 million views. However, only two original mini-movies generated more than 50 million views on Tencent TV.

On the platform IQiYi, 30 original programs and 12 original series received more than 50 million views. Moreover, 25 works of original content obtained over 100 million views. This means that 61% of original content on IQiYi reached more than 50 million total views, and 36% received more than 100 million total views.

All of the original content on Sohu TV has been viewed over 50 million times, and 11 works of original content obtained more than 100 million views. This indicates that 100% of the original content that Sohu TV produced earned a corresponding amount of views. Although it did not produce as many programs and series as the four other platforms, Sohu TV did provide original content that experienced relatively higher popularity than others.

Similar to Youku-Tudou, LeTV did not receive the equivalent amount of views. Only 11 works of original content received more than 50 million views, which is only 13% of its original content.

In general, the basic data is understandable and clear. The output of original content and the total and average numbers of views has provided a picture of the general status of original content development by the top five video streaming websites. Youku and Tudou, as the earliest and largest video streaming platforms, possess the largest number of online users. Through their continuing investment, they have produced at least 182 works of original content since 2009. Nevertheless, the quality and popularity of their original programming has not yet matched its quantity. Tencent TV, LeTV, and IQiYi have produced a similar amount of original content; however, the response of audiences appears to have been different. LeTV received the lowest amount of views, which means their popularity is low. Only 13% of their original content received more than 50 million views. Tencent TV and IQiYi performed much better than LeTV, Youku and Tudou. On Tencent TV, 34% of its original content received more than 100 million views. IQiYi performed better than Tencent TV. 61% of its original content obtained more than 50 million views, and 36% obtained over 100 million views. Sohu TV is the only video platform that had all of its original content receive more than 50 million views.

Regarding the analysis of advertising on original content, there were mainly three kinds of advertisements that were embedded in original content on the top five video streaming websites: attached advertisements, product placement (soft/hard), and naming rights. Attached advertising refers to general advertisements, which are attached before a program or series. Product placements usually appear during a program. The advertised product usually appears as a prop in the program. Product placement in original content includes soft advertisements and hard advertisements. Compared with general advertising,

this kind of interval communication takes a subtle form, putting related products into props, which was used in video content, thus avoiding audience resistance.

The top five video streaming websites mainly utilize attached advertisements. In general, the duration of an attached advertisement is 5 to 60 seconds. The duration of the advertisement for each product is 5 to 30 seconds. In a 60-second attached advertisement before the program, there are generally 2 to 4 products that are advertised. With regard to other kinds of advertisements, soft advertisements and naming rights are used more frequently by IQiYi. Its debate program *U Can U Bibi* utilized both soft advertisements and naming rights. It generated more than 100 million yuan (\$16 million US) for a naming rights sponsorship from Metersbonwe before the program began to shoot. Metersbonwe is a domestic fashion brand in China. *I Love Super Model* also received naming sponsorship from JD.com, a Chinese e-commerce platform. The video streaming website also created a new kind of advertisement during the production of original content. The comedy *Surprise Surprise*, produced by Youku, came up with a new kind of hard advertisement in the series. The advertised product is mentioned in the beginning, during, and after the series in a humorous way.

Summary

Based on the results of the survey, an overall analysis of original programming, viewing levels, advertising placement and strategy has been presented. As a result, Tencent TV possesses the highest number of views among the top five platforms. Youku-Tudou is in second place. IQiYi, Sohu TV, and LeTV follow behind. However, with the exception of an advantage in total output, it is obvious that Sohu TV provides original content with the highest popularity. IQiYi is in second place.

CHAPTER 5: DISCUSSION

Introduction

In the current Chinese video streaming industry, producing a popular program or series requires a number of things: a precise identification and understanding of the target audience, high-quality production and post-production, diverse themes and genres, and personalized advertisements. In Chapter 4, the researcher analyzed data on the viewing habits and attitudes of viewers, as well as basic statistics about original content development. Previous studies by other researchers mainly involved discussions from macro-perspectives, such as the current state of the industry and the market environment, external and internal problems of original content, and recommendations for solutions. Most of these studies did not develop comparison research on the original content of video streaming websites. Therefore, in this chapter, the researcher will conduct a SWOT analysis of the top five video streaming websites, according to the results collected in the previous chapter.

SWOT Analysis of Original Content

A SWOT analysis is an analysis of strengths, weaknesses, opportunities, and threats. In this section, the researcher will complete a SWOT analysis of the original content on the top five video streaming websites. In the SWOT analysis, the researcher also applied comparison analysis in the process.

Strengths:

1. Accurate Target User

The target user of top five video streaming websites is relatively accurate. Currently, the main audience group of the top five video streaming websites is between the ages of 19 and 35. Light comedy, emotional youth drama, entertainment news and gossip, reality shows with celebrity competition, and talk shows are all popular genres among young people. At the same time, video streaming websites have realized the importance of personalized user demands, and have begun to focus more on producing diverse content with different themes according to popular demand. For instance, *The Morning Call*, produced by Youku, and *Xiaosongpedia* produced by IQiYi is targeted to an audience that is relatively highly educated, and interested in history. Youku's *Hong View* is a talk show that focuses on social, economic, and market environment changes. This program targets viewers who want to know about the latest developments in the market and who want to receive professional advice from the host Song. In addition, there are also travel programs like *On The Road*, which target viewers who love travelling.

2. Higher-Quality Original Content

Beyond analyzing and targeting users with different interests, the top five video streaming websites have also begun to provide more original content with higher production values. Since beginning to develop professional production teams and studios,

the top five platforms have continued to utilize higher level professional producers and incorporate superior hardware and software. Consequently, the quantity and quality of original content has been rising very quickly. There were only 8 original programs on Youku in 2011. At the end of 2014, there had been 111 original programs on Youku. From 2014 to 2015, some of original content has improved to a level comparable to professional TV production. This higher level of quality is mainly reflected in higher levels of creativity, stronger interest, and more professional production levels. For instance, the openings of programs, design details for each segment of a program, and homepage design for different programs are all considered important by video streaming websites. IQiYi performed particularly well in improving its program quality. Its new reality show *U Can U Bibi* has much higher production values than the reality shows provided by the other four video streaming websites. The opening was designed to introduce the program in a humane mode. As a result, the program obtained more than 100 million views just after four episodes were posted online.

3. Online Platforms and Their Resource Advantages

Compared to the traditional television industry, video streaming platforms possess more online resources, which allow them to obtain more online viewers. Video streaming websites try to take advantage of online media platforms, software or hardware resources to compete for a larger audience.

As the pioneer of the Chinese video streaming industry, Youku-Tudou has the largest user base in China, which is its biggest advantage. According to the latest data, the Youku App's daily unique visitor totals have broken 500 million, setting records once again among video streaming websites. In 2014, Youku's ratings, including daily unique

visitors, daily viewing length, and daily videos viewed has increased quickly. Moreover, from the data issued by CNNIC in 2015, the loyal user percentage on Youku is 40.4%, being the only platform where the loyal user amount is more than a quarter of the total users. Furthermore, these amounts are two times larger than the platform in second place. This indicates that Youku's user loyalty is far ahead of other video streaming websites.

Tencent TV utilizes Tencent's earliest and most popular instant messenger products, QQ and WeChat, to obtain as many viewers as possible. In March 2015, Wechat had 500 million users, and QQ had 1 billion users around the world. Daily users on these two platforms amount to over 100 million. As QQ and WeChat are both ranked at the top of the global Chinese app market, Tencent possesses the largest amount of Chinese online users worldwide. Additionally, Tencent blocks the links and shares of all other video streaming websites on its instant messenger platforms. People who use QQ or WeChat can only share videos from Tencent TV. This is how Tencent TV obtained the largest amount of video views among the top five video platforms, even though the quality of its original content is not that high.

IQiYi is supported by Baidu. As the most popular search engine in China, Baidu assists IQiYi through its search platform. For instance, when searching for a program on Baidu, users find that the video resources of IQiYi usually appear at the very top of the page. Due to the rushed usage habits of online users, people usually choose the first link among search results. In other words, Baidu helps IQiYi obtain more PC viewers through its search engine.

Compared to the video streaming websites above, Sohu TV does not have such strong support from its portal Sohu.com. Similarly, LeTV has no portal, search engine or

instant messenger platform to support it. However, LeTV is more advanced with its hardware development in the video industry. Considering the viewing habits of viewers on traditional television and their desire for more content on television, LeTV has developed its own smart TV and television box in the past five years. Through its development of hardware, LeTV has obtained a large number of users for its smart TV and TV box. It is the first company to explore the subscription business model in China. All of these endeavors have brought LeTV a new stream of viewers to its video streaming platform.

Currently, online viewers mainly use these top five video streaming websites. Therefore, fighting for loyal audiences through different online resources and methods is one of the most important areas for each platform.

4. A Flexible Advertising Model

The top Chinese video streaming websites utilize a flexible advertising model, which tends to decrease user apathy towards video advertising. At the present stage, there are mainly three types of advertising models utilized in Chinese video streaming websites: attached advertisements, exclusive naming rights, and product placement.

Attached advertisements are similar to traditional television advertisements, which usually serve as a lead-in to a program or show. The duration of such ads attached before the beginning of original content on video streaming websites is generally 15 to 60 seconds. This is a very common model in the television and online video industry.

Exclusive naming rights is another advertising model, which began to be utilized by reality shows on traditional television. The most popular reality shows, such as *Where Are We Going Dad*, *The Voice of China*, and *Running Man*, all use exclusive naming rights advertising. This type of advertising is very popular because the program can obtain more

revenue through exclusive rights. Moreover, the advertised brand logo usually appears during the opening and within the program, making it more flexible than attached ads. It also does not take up a specific duration of time before the program. As a result, this type of ad decreases viewer apathy toward advertising. More creative, original programming on video streaming websites blends advertising into their programs. In other words, the program applies the naming rights and soft inserted ads at the same time. For example, there is *U Can U Bibi*, a new popular online debate reality show on IQiYi, which began in 2015. According to the contract, the host of the program should specifically mention exclusive name brands and sponsors at the beginning of the program. Because all of the hosts and debaters in the program are very eloquent and humorous, they know how to wittily mention the brand with tact, and psychologically stand on the side of the audience. In this way, audiences usually laugh off advertisements without apathy, and will not turn to other programs. When utilizing this kind of advertising, it is very important to have an experienced host and coordinated participants, which requires a highly professional production team.

Beyond exclusive naming rights, video streaming websites have created another new way of advertising: intended advertisement. For example, *Surprise Surprise*, produced by Youku, has broken the mold of the surreptitious approach to product placement, creating a new hard inserted advertisement model. This model includes inserted opening, advertised product placement within the program, and behind-the-scenes promotion (Song, 2014). The advertised brand is intentionally mentioned in a humorous manner.

Weaknesses:

1. The Homogenous Themes of Original Series

The theme of the original series on video streaming websites is nearly uniformly emotional drama and comedy. The original comedy usually relies on witty banter about everyday life to execute their humor, making ridiculous parodies of popular works that audiences are acquainted with. Emotional dramas primarily focus on campus love, and love stories in big cities. Within the top five video streaming websites, Youku focuses on humorous youth romances, like *Hip Hop Quartets*. Sohu TV is inclined towards self-deprecating comedy; such as *Diors Man*. IQiYi produces more light comedies and modern romances. Compared to these three platforms, Tencent TV contains a more diverse set of themes, including detective stories, traditional costume dramas, and comedies.

Currently, the main viewers of original content in China are in the age range of 19 to 35, which constitutes 50% of the total number of online viewers (Wang, 2014). Because of the speed of life in contemporary China, young viewers are more willing to watch short comedies online. Catering to this main demand of young viewers, video platforms are producing a large amount of light comedies. Consequently, the theme of most of the series is uniform, and the style is homogeneous.

2. The Homogenous Genres of Original Programs

The form of original programs is homogenous. It is significant that the form and format of these programs are similar. Because original content viewers prefer entertainment news and celebrity gossip, most video streaming websites produce a large amount of entertainment news and gossip programming. The duration of this kind of programming is between 1 to 15 minutes. This is short, but they contain a large amount of information. Additionally, the productions of this genre usually contain footage taken by paparazzi and footage featuring celebrities, from related programs or interviews. Obviously,

the production cost of this kind of program is much lower than that of other genres. Nevertheless, this singular focuses leads to a set of very homogenous content in the industry. Video platforms are willing to produce this genre as well. Among the top five video platforms, the percentage of this genre on Tencent TV and IQiYi is 20.8%, and 27% respectively, which is much higher than that of other genres.

3. Lack of Creativity

Original content production by Chinese video streaming websites began in 2010. The development and growth of this movement is still very new. Original content production still largely mimics some professional popular programs or shows. For instance, the most popular comedy on Youku, *Surprise Surprise*, imitated the choppy editing rhythm of the French mini sitcom *Bref*, and its post-produced dubbing simulated the popular Japanese animation *Gyagu Manga Biyori Plus*. At the same time, it has utilized a large amount of mild parodies of famous plots of Chinese classics. For example, in Season One, Episode Two, the comedy used an allusion to Liu Beats Adou in the classic novel *The Romance of the Three Kingdoms*. Sometimes it also used sarcastic parodies of classic plots in competition shows, in which participants brought out their tragedy trump card to win competitions. The plots of *Welcome Love*, produced by Youku, are very similar to that of a Japanese series called *Just Fall in Love with You*. The lack of creativity is not only common in original series; it also exists in original programs, especially in the UGC content and entertainment news. As most entertainment news programs are produced by combining different interviews, pieces of candid footage, and program footage together, a lack of creativity is inevitable.

4. The Short Life Cycle of Original Content

The life cycle of most original content is short. Chinese video streaming websites try to use the production model of American content generation. That is, according to audience responses to original content, production teams make decisions on how content or plots should change in the future. However, most content does not possess unique themes or it lacks creativity. If any similar content with more attractive elements appears on other platforms, previously released programs lose a large amount of viewers immediately. For instance, IQiYi's *Jump Earth* was very popular in 2013, with its average amount of views for each episode reaching up to 3.88 million. However, in 2014, many similar UGC collection programs appeared, attracting many viewers away from *Jump Earth*. According to the latest data, *Jump Earth*'s average views have declined to 780 thousand per episode. This could very well be a reflection of how a lack of creativity leads to a short-life cycle for programs in this increasingly fierce competitive environment. This is a common issue for video streaming websites. In addition to a faster pace for content updates, there are more choices for online users. This means that developing user loyalty is becoming more and more important, but also more difficult.

5. Unstable User Experiences

For services and products on the internet, no matter which specific area, user experience is one of the most critical elements for ensuring user loyalty. On the top five video streaming websites, some of the classifications of programs are confusing. For instance, some reality shows regarding introducing new public movies are classified in the movie section, which is not convenient for viewers to find.

Opportunities:

1. The Portable Trend

The wide usage of portable electronic devices allows video streaming websites to possess a larger potential in the market. The question of whether the platforms are able to capture as many users as possible is very critical for the development of original content on video streaming websites.

According to a 2014 Chinese internet annual report issued by CNNIC, the number of Chinese online users reached 649 million, among which portable device users had reached 557 million. Video streaming viewers were 433 million, which was 66.7% of all online users. In China in 2014, the video streaming usage rate on phones exceeded that on PCs. This indicates that video streaming viewers have been gradually turning to portable devices. According to the user survey in the last chapter, it is obvious that for people between the ages of 19 and 35, portable device usage rates are much higher than that of PCs and televisions. Therefore, portable trends in the video streaming industry provide a rare opportunity for streaming platforms to win more viewers away from traditional television.

2. Multi-Platform Broadcasting

Compared to traditional television, video streaming websites live in an internet environment, which means that they have more ways to broadcast their content. Multi-platform broadcasting makes it possible for the content produced by video streaming websites to reach a larger potential viewer base. Taking advantage of video streaming apps, instant messengers, and social media, people can not only watch and share content online, but can also interact with the producers and actors of the program or show. From the micro perspective, a video streaming production team could obtain viewer responses to the latest content, modifying the plot according to audience preference. From the macro perspective,

this multi-platform broadcasting model offers an opportunity for original content producers to develop their brand image. Multi-platform broadcasters can attract a larger potential audience by reaching users of social platforms, video apps, news apps, or instant messengers.

3. Increasing Support from Internet Giants

In 2014, many internet giants entered the video streaming industry, setting up production companies, and developing collaborations with video platforms. In August 2014, Baidu, Citic Trust, and the China Film Group created a strategic collaboration for crowd-funding platforms in the film and culture industries. At the same time, IQiYi and Huace Film set up the Huace IQiYi Film Company. The Alibaba Group also became a shareholder of Youku-Tudou and pushed it to create the HeYi Film Company in 2014. In September 2014, Tencent's interactive entertainment department said it would start to produce films independently. The three internet giants in China have entered the video and film industry, which will bring more funding and resources to video streaming platforms. (Gough, 2014)

Threats:

From 2013 to 2014, SARFT's supervision of video streaming websites became much more aggressive. With the importation of foreign content, the new regulations ordered that new updated foreign content must be approved by SARFT. Additionally, platforms can only import a complete season of a show with subtitles. Because of these regulations, several foreign shows like *Shameless*, *Agent Carter*, and *Empire* were removed from video streaming websites in January 2015. Sohu TV and LeTV were also influenced by these regulations. Moreover, auditing before broadcasting will mean a three month

delay to the importation of new foreign shows, which may lead to a loss of viewers on video streaming websites. Moreover, according to the 2014 annual internet conference, SARFT claimed to be creating a regulation standard in the video streaming industry similar to that of the traditional television industry. (Yan, 2014) This indicates that the advantages that streaming websites possess may disappear in the future. For instance, with original content production, video streaming websites can produce content with greater openness and freedom. However, it is hard to say whether video streaming websites could have such a free environment as it is in 2015.

Additionally, traditional television's competitive crisis awareness drove it to produce a larger amount of high-quality programming. Especially from 2013 to 2015, production rates and quality increased at a tremendous pace. By importing copyrights and cooperating with foreign professional production teams, Chinese television groups still produce almost all of the new popular shows. Hunan TV's *Where Are We Going Dad*, and Zhejiang TV's *The Voice of China*, and *Running Man* are the most popular shows in China. These programs undoubtedly attract a large amount of viewers away from the original content produced by video streaming websites. Traditional television groups apparently still dominate the production of high-quality content.

In summary, the SWOT analysis provides the landscape of the current competitive environment of Chinese streaming platforms. The video streaming industry is growing at a fast rate. Production departments with professional teams have developed in the right direction. Although they face some external threats and internal issues, video streaming platforms are actively exploring new ways for original content development, not only to

cater to viewer preferences but also to better utilize the specific characteristics of the internet.

Recommendations for the Future Development of Original Content

For the future development of Chinese video streaming websites, improving content quality is still the most important task. In order to ensure high-quality production, video streaming platforms should first increase their capabilities for creativity. A novel story with unique characteristics can always move people. Furthermore, a creative format for a reality show can attract new a stream of viewers, like how *Running Man* broke the common competition show mold.

Beyond an increase in creativity, the brand development of each original program or series is another important avenue of advancement. The effective brand promotion of original content could drive broader awareness by online users. This requires production teams to prepare an online media promotion plan, which requires the development of long-term collaborations with different social media sites and web portals.

The question of how to obtain as many mobile users as possible is also very significant. Therefore, the optimization of user experiences through the continuous updating of functions on mobile apps and the internet should be particularly emphasized in future development.

The future landscape of the Chinese video streaming industry will be full of fierce competition. The top five video streaming websites face internal issues and external threats, such as a lack of creativity, unstable user experiences, competition from the traditional television industry, and new government regulations. Unique and creative content and branding is crucial to obtaining core competitiveness and attract larger audiences. As long

as original content production teams endeavor to find solutions to these problems, and continuously explore suitable operation models in this growing industry, the platforms will win more viewers.

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APPENDIX A

Survey

1. What is your gender?
 - A. Female
 - B. Male
2. How old are you?
 - A. 13-18
 - B. 19-35
 - C. 36-50
 - D. 51-65
 - E. 65+
3. Have you ever used video streaming websites?
 - A. Yes
 - B. No
 - C. I'm unfamiliar with the term.
4. Which video streaming websites do you usually use? (Multi-choices)
 - A. Youku
 - B. Tudou
 - C. IQiYi
 - D. PPS
 - E. Sohu TV
 - F. Tencent TV
 - G. LeTV
 - H. PPlive
 - I. Thunder TV
 - J. Mango TV
 - K. Others _____
5. How often do you use these video platforms?
 - A. Everyday
 - B. 4-6 times per week
 - C. Less than 3 times per week
 - D. Less than 4 times per month
 - E. Several times per year
 - F. I'm not sure.

6. How long time do you usually stay on the platform each time?
 - A. Less than 30 mins
 - B. 30mins to 1 hour
 - C. 1-3 hours
 - D. 3-5 hours
 - E. More than 5 hours
 - F. It depends.
 - G. Never notice.
7. What kinds of e-devices do you usually use to watch videos? (Multi-choices)
 - A. Laptop
 - B. Tablet
 - C. Smartphone
 - D. Smart TV
 - E. Others
8. What kinds of videos do you usually watch on these platforms? (Multi-choices)
 - A. Traditional News
 - B. Entertainment news
 - C. Talk show
 - D. Comedy
 - E. Drama
 - F. Variety show
 - G. Movie
 - H. Documentary
 - I. UGC
 - J. Cartoon
 - K. I have no specific favorite, watch everything
9. Why do you prefer this/these kind of video(s)? (Multi-choices)
 - A. Contains the latest news
 - B. Just for fun and relax
 - C. Learn more knowledge
 - D. Just for killing time
 - E. Being the fan of specific host, actor, or actress
 - F. Have no reason
10. Please rank the following video streaming websites according to your preferences.
 - 1) Youku
 - 2) Tudou
 - 3) IQiYi
 - 4) PPS
 - 5) Sohu TV
 - 6) Tencent TV

7) LeTV

11. Have you ever watched any original show on video streaming websites?
 - A. Yes.
 - B. No.
 - C. I don't know what is original show.

12. Which following original shows have you ever watched? (Multi-choices)
 - A. Surprise, Surprise!
 - B. Dapeng Talk Show
 - C. Dior's Man
 - D. Wonder Lady
 - E. Fleet of Time
 - F. Morning Talk Show
 - G. U Can U Bibi
 - H. Two Idiots
 - I. Soul Ferry
 - J. Death Notify
 - K. STB Super Teacher
 - L. Others _____

13. Among the original shows you watched, which original show(s) is/are your favorite? (Multi-choices)
 - A. Surprise, Surprise!
 - B. Dapeng Talk Show
 - C. Dior's Man
 - D. Wonder Lady
 - E. Fleet of Time
 - F. Morning Talk Show
 - G. U Can U Bibi
 - H. Two Idiots
 - I. Soul Ferry
 - J. Death Notify
 - K. STB Super Teacher
 - L. Others _____

14. Why do you like these original shows?
 - A. The story and plots are really good.
 - B. The acting is very professional.
 - C. The host/actor/actress is my idol.
 - D. The dialogues and interactions of participants and host in the show are very interesting.
 - E. Learn more about the world
 - F. Others _____

15. What kind of original content do you expect to watch in the future?

(Multi-choices)

- A. Political Drama
- B. Traditional Chinese Costume Drama
- C. Emotional Drama
- D. Shows about the end of the world
- E. Regular Comedy
- F. Mini Movies
- G. Creative Reality Show
- H. Competition Show
- I. Others _____

16. If you have to pay for a subscription to view without advertising, what price would you accept?
- A. I won't pay for it.
 - B. Less than 5 yuan per month.
 - C. 5-20 yuan per month.
 - D. 20- 50 yuan per month.
17. Will you accept a small quantity of advertising to view a show for free?
- A. Yes
 - B. No
18. If no, why not?
- A. The duration is too long.
 - B. The quality of ads is too low.
 - C. The ads are repetitive.
 - D. I don't need the advertised product.
 - E. I don't like the celebrity in the ads.
 - F. No reason. I just hate ads.
19. If there's advertising attached before or within a show, what length would tolerate?
- A. None.
 - B. Less than 30 seconds.
 - C. 30 to 60 seconds.
 - D. 60 to 90 seconds.